

Burak Kuzucu, PhD. Candidate

Istanbul University, Department of Business Administration, Istanbul, Turkey

90-531-679-1680

burakkuzucu@gmail.com

M. Özgür Güngör, PhD.

Marmara University, Department of Business Administration, Istanbul, Turkey

90-532-263-8736

mogungor@gmail.com

Value Co-creation in Action:

A discussion of results on how customers drive innovation

Abstract

Results of our two different researches in marketing and management reached a common point about effectiveness in value co-creation with customers. From idea generation to delivering newly designed products and services to the market, involvement of customer provides critical contributions for improving offerings of companies. A prior research in Turkey underlined that openness and capability of firms are the keys to understand customer's advisory. Recently, another study, which has discussed innovation concept from organizational management perspective rather than marketing core, found out that successful organizations are structured in an innovation oriented and customer centric form. In this paper, it is aimed to investigate the common results from these two separate but similar researches and make a detailed discussion about the concept of value co-creation with customers by consolidating the empirical findings of these researches and introduce a set of unified and combined outcomes. Unlike other studies in the literature, this study aims to build a comprehensive approach on customer involvement into innovation process, by combining complementary perspectives of marketing and management. This approach provides a useful reference guide for firms to assess the power of ideas coming from their customers, whom are willing to drive innovation as main stakeholders.

Introduction

The competition is getting more challenging as described by D'Aveni (1994) with the concept of 'hyper-competition', where market shares are decreasing due to globalized competition, customers are demanding more personalized and differentiated products and services, time to market of these products and services is gaining more and more importance. These challenging conditions force all companies to transform themselves into an innovation oriented and customer centric form. Competitiveness forces all companies to make better use of their technological, organizational and marketing competences for long-term survival. In this paper, we will be focusing more on the innovation ingredient in these competences with parallel to three dimensions of modern organizations (Güngör and Bilgin 2010).

Thinking out-of-box in organizations is gaining importance to build not only new products and services but also to differentiate firm with unique ways of doing business. In this context, innovation is considered as an essential element of management strategies and core values for sustaining competitiveness (Krause 2004). It is widely acknowledged by industry and academics that organizations should transform themselves into innovation oriented way in order to remain competitive, and maneuver easily to align with new changes and challenges of markets. For these innovation-oriented organizations, cultivating customer-centric activities to make use of customer knowledge is one of the most important issues (Bennett and Gabriel 1999; Chase 1997), and there is a considerable interest in the potential of "co-creation" either individually or in community contexts, to enhance innovation and business performance (Gibbert et al. 2002). Co-creation is viewed as an aspect of marketing competence for engagement with customer and developing collaborative knowledge about offerings of the company, so as processes those generate knowledge about loyal customers (Campbell 2003).

Two different researches that we conducted and examined separately from marketing and management perspectives reached a common set of results about the effectiveness in value co-creation with customers: from idea generation to delivering newly designed products and services to the market, involvement of customer provides critical contributions for improving offerings of companies.

A prior research in 2008 underlined that openness and capability of firms are the keys to understand customer's advisory (Güngör 2009). Recently, another study, which has discussed innovation concept from organizational management perspective rather than marketing core, found out that successful organizations are structured in an innovation oriented and customer centric form (Kuzucu 2010). With the aim of consolidating these two pictures, in this paper we investigate the common results from these studies with empirical findings and make a detailed discussion about the concept of value co-creation with customers. In result, a comprehensive approach is built on customer involvement into innovation process, by combining complementary perspectives of marketing and management fields

After introducing the main concept, it outlines separately our previous researches about “Customer’s Advisory” and “Innovation Oriented Organization” with a detailed literature review. Then, the commonality of these researches is investigated with the aim of consolidating two pictures. Finally, the common set of results is discussed item by item in detail. In conclusion, limitations and agendas for further research are identified.

Information about Previous Researches

Explanation and details about the first research

In 2008, a quantitative research for understanding the factors affecting on making use of customer’s advisory for the design and development of new products and services or evaluation of existing ones, was carried out in Turkey as a part of PhD. thesis (Güngör 2009). The research was conducted among the middle managers of organizations from many different industries. After the results were collected and analyzed, the final model showed that making use of customer responses from various sources require two major attributes for any organization: openness to customer and capability of turning the data into wisdom to evaluate new products and services through the customer's eyes.

“Customer’s Advisory” contains unconditionally provided cues from customers to revolutionize or evaluate existing products and services. It also opens the door to new product ideas. As innovativeness is a critical key to remain in the competition for globalized markets, this opportunity is unmistakable for organizations. For this reason, the use of customer’s

advisory requires both organizational responsiveness and empathy to understand customer responses, and capability to turn that information into knowledge for evaluation of services.

These two constructs were formed of three components for each. Openness was a composition of responsiveness, empathy and technology focus of the organization. Service evaluation capability was a matter of technological capacity, bidirectional information sharing among departments and frequent information use for decision making in the organization.

A brief information about the tests conducted in the first research are, as follows: The reliabilities of scales used in the research were tested through the use of Cronbach's Alpha that was expected to be at least equal to 0.70 or above while accepting any factor reliable and consistent in this study. The constructs were first tested for reliability of the items contained. Principal component analysis (factor analysis) executed to each construct for scale refinement. Kaiser-Meyer-Olkin (KMO) coefficient is used to measure sampling adequacy of homogeneity in factors of the analysis. KMO was expected to be at least equal to 0.50 or above while accepting any factor's sampling adequacy of homogeneity. Bartlett's test of sphericity for the significance (expected to be equal to or below 0.05) of appropriateness of the factor model were also examined. The hypotheses were tested through hierarchical multiple regression analysis, one-way analysis of variance (ANOVA), F-Test and t-test. Multiple regression analyses were used for the analysis of relations and correlations between the core concept, constructs, and moderating variables. If F-test was found significant, Durbin-Watson autocorrelation analysis was applied to the independent variables. Following that, t-test was applied at the final stage of multiple regression analysis to understand the contribution of each independent variable to the explanatory power of the model.

Making use of customer's advisory requires a good understanding and therefore openness to impulses from customers. Responsiveness of the organization was found dependent to its willingness, promising attitude, quickness and seriousness as were defined by Parasuraman et al. (1988, 1991) in SERVQUAL measure. Significance in responsiveness construct represents that an organization is willing and capable to capture better signals and impulses from customer as long as it holds promising attitude, quick response and seriousness in the way they contact with their customers. An organization shows its promising attitude in several ways such as: handling customer demands and complaints in timely manner with a solution,

keeping aligned with messages from brand like slogans and mottos, providing the best possible effort to support customer's actions, and communicating effectively with customers at all times. More or less all of these ways are secured by seriousness of personnel and management of the organization, to meet a successful result and better relationship. Thus, serious, quick and promising organizational behaviour also matters in trust and commitment issues where customer feels much confident with the brand to consume and to contribute its evaluation as well. Empathy in the organizational behaviour was found important and based on understanding concerns of customers well enough and providing explanations of options accurately to the customers. Understanding concerns of customer implies that organization and its employees are putting themselves into customer's shoes when following feedbacks, responses and advisory of customer in order to make it realized or solved. In parallel with responsiveness, explanation of options to customer supports informative approach with possible actions available to take when the feedback or complaint is taken. Summing up these two items, an organization which truly makes empathy with its customers through anticipation of concerns and providing alternatives with responsiveness, gains the openness to listen to customer where making use of customer's advisory could happen. Technology focus of organization was the third important factor, following responsiveness and empathy, for openness in the organization to capture customer advisory. Having a well configured direct marketing communication technology is a key aptitude to get the impression from what organization is involved with, contributing to, servicing and how it is formed of.

Service evaluation capability of the organization was found dependent to bilateral information sharing frequency between marketing and engineering units, technological capacity to make evaluation and frequent information use for decision making. These all summarize that the more often information shared among the departments of collecting it from customers and developing the services with proper customer relationship management (CRM) systems, human resource management systems (HRMS), enterprise resource planning (ERP) systems and Intranet systems installed, the better service evaluation capability was exposed.

For each of these constructs, effects of four independent variables were detected: customer insight utilization, human resource advantages, knowledge interpretation, and innovative corporate thinking.

Customer insight utilization addresses that the organization is willing to understand customer lifetime value and retention in parallel, supporting co-creation of value together with brand communities and building one-to-one relationships with customers through call-centers. Innovative corporate thinking in design of services and in customer relationship building was essential for organization to make difference in the eyes of its customers. Increasing customer lifetime value, seeking more customer retention, ability to create value with customers not only proposition of value to customer, and one-to-one relationship bonding through agents were affective customer insight utilization components in anticipation of customer's advisory. Innovations in design of services and innovations in building better relationships with customers were affective on better use of the customer's advisory in service evaluation. Human resources were significantly important for any organization to make use of customer's advisory. If an organization has better experienced and educated personnel it gains better understanding of customer's advisory. Finally, knowledge interpretation capability of organization is one of the most important and critical ability to make use of customer's advisory.

Explanation and details about the second research

In 2010, a quantitative research was carried out with the aim of understanding the characteristics of innovation oriented organizations. Through an extensive review of literature, a framework was developed on the concept of organization wide innovation management; general system approach was used to identify key concepts of innovation management and axiomatic design methodology was employed to determine the core components of the framework and decompose them into sub-components. With the aim of validation of the framework, an empirical survey and interviews were conducted to collect data from companies in Information and Communication Technology industry in Turkey (Kuzucu 2010).

The statistical results of the survey were analyzed by examining the importance level of framework components and the impact level of framework components on innovation performance. Firstly, the responses related to the importance level of the framework components were analyzed in order to determine which of the components were considered important in terms of innovation management. Then, factor analysis was performed to reduce the number of framework components and performance indicators. As the next step in

validation of the framework, the relationship between the framework components and the innovation performance indicators was examined in order to substantiate the impact of core components on innovation performance.

According to the analysis of the results, high reliability is obtained with respect to the standards specified in the literature; for factor analyses all factor loadings were greater than 0.50, leading to a conclusion that the reliabilities of individual framework components were within acceptable levels and composite reliability coefficients for the constructs were all greater than 0.70, suggesting that a high internal reliability existed in the constructs. In addition to that, the highness of beta (β) values in regression analysis confirms that all core components of the proposed framework strongly influence the innovation-based financial and non-financial performance.

On the basis of data analysis collected from survey and interview responses, the proposed framework was validated by examining the importance of framework components, and the relationship between company accomplishment in sub-components of framework and in innovation performance. The framework, named as “Innovation Oriented Organization”, presents four core components to promote the organization-wide innovation: innovation process, organizational infrastructure, supportive systems and environmental relations. In the following paragraph these core components are described in short to draw the picture of the framework.

Innovation process is the fundamental component of innovation oriented organization to transform inputs such as ideas, knowledge, and materials to innovation solutions. Organizing innovation development activities in a systematic manner is the foundation of building an innovation management system. A well-designed innovation process helps business to identify, evaluate, develop, implement and exploit innovative solutions more efficiently and effectively. As the first result of this research, statistical analysis confirms the role of innovation process in innovation management. Managing innovation process effectively has positive and significant effects on both financial and non-financial innovation performance.

Organizational infrastructure construct consists of the following components: structural subsystem, social and cultural subsystem, goal and values subsystem. As stated by Preez and Louw (2008), a framework of organization-wide innovation management includes a well-

defined combination of structure and flexibility in order to effectively deploy all elements of successful innovation. In other words, organizational infrastructure needs to be designed in the way to enable innovation. As the second result of this research, statistical analysis confirms the role of organizational infrastructure in innovation management. Building an innovation oriented organizational infrastructure has positive and significant effects on both financial and non-financial innovation performance.

Supportive systems construct includes the following components: knowledge management system, human resource management system and information technologies. All these subsystems interact with each other to facilitate the goal of the main system, innovation oriented organization. Starbuck (1992) has already stressed that innovations arise at the intersection between flows of people and flows of knowledge. From this point of view, enhancing knowledge assets, managing human resources and establishing information flow are very critical to become an innovative organization. These supportive activities help to increase the efficiency of innovation process. As the third result of this research, statistical analysis confirms the role of supportive systems in organization-wide innovation management. The components forming the supportive systems construct (knowledge management system, human resource management system and information technologies) have positive and significant effects on both financial and non-financial innovation performance.

With the aim of interrelation with external environment as an open system, “Innovation Oriented Organization” includes a construct named as environmental relations. Building and sustaining innovation-oriented relationships with the environment is becoming increasingly more important for business survival in terms of innovativeness. Environmental relations stand for monitoring the changes and trends in the environment and integrating the environmental actors into the innovation activities. The results of statistical analysis confirm the role of environmental relations in organization-wide innovation management. Building and sustaining innovation-oriented relationships with the environment performance have positive and significant effects on both financial and non-financial innovation performance.

Explanations about the commonality of both researches

The questionnaire for the first research was conducted among 301 middle managers in July 2008 and survey for the second study was conducted in April of 2010 with the target population consisting of managers from information and communication technologies (ICT). Thus, both of the researches had a common target population base where the second one is a subset of the first one. There was no specific industry selected for the first one but ICT industry was chosen for the second due to its knowledge-based and innovation-oriented characteristics. Participants were chosen with the intention of contacting various key informants on different type of innovation activities. Both of researches were conducted in Turkey. Therefore, we claim that middle managers in Turkish ICT industry represent an intersection in both of researches. Our combined results address directly such target for analysis of the phenomenon of managing customer-driven innovation.

These two researches are compatible in terms of subject issues. The first research focuses on the question how organizations can get closer to their customers in order to position them as an important participant of their innovation process. Similarly, the second research aims to answer the question how an organization can be transformed into innovation oriented form by using a holistic perspective. As it is clearly seen, there are two major points that are addressed by these researches commonly: understanding the customer and management of innovation. In this point, these two researches can be combined and analyzed together to answer the question how an innovation oriented organization can build close relationships with its customers to integrate them into its innovation development process.

Combined Analysis of Researches

In this paper, it is aimed to investigate the common results from these two separate but similar researches and make a detailed discussion about the concept of value co-creation with customers by consolidating the empirical findings of these researches and introduce a set of unified and combined outcomes.

Before starting to discuss the common results of two researches which are mainly focused on innovation concept from two different perspectives, marketing and management, there is a need to put these perspectives clearly.

In the literature several scholars evaluate the innovation concept from organization-wide management perspective. Kaufmann and Todtling (2002) indicate that innovation requires a favorable environment within the organization that is fostered by concerns such as top management support, the implementation of successful technology strategy, the design of an organizational structure that facilitates innovation process, technology culture, and human resources with necessary skills and experience. Dickson and Hadjimanolis (1998) state that innovation management corresponds to management of the whole process of innovation from the idea generation stage through product or process development/adaptation to launch in the market or start; and it includes both strategic and operational issues.

Innovative corporate-thinking encompasses everything from derivation of meaningful customer insights to developing entirely new business models. For this reason, creation of an innovative mind-set starts at the strategic level decision-making. If innovative-thinking is appropriately captivated by people of the organization, it becomes a sustainable structure that delivers a better consumer experience and brings the rewards of loyalty and advisory. It supports the extension of loyal customer-base and capturing of new consumer markets. Apparently, it should therefore be a permanently dynamic internal process of organization in parallel with the delicately reception of changes in demand structures of the markets.

From the marketing perspective of view, market orientation has a significant positive influence on new product success and, consequently, and it is a crucial element of innovation management (Tomala and Senechal 2004). As the individual consumer is being placed at the locus of innovation, setting up unique and customized experience with the brand is becoming more important. For this experience to be meaningful, companies have to include their consumers in the innovation process to provide them with solutions that satisfy their intimate needs. Working with customers can often offer important insights and new directions (Tidd et al. 2001). In addition, early involvement and allowing the customers to play an active role in the innovation process leads to better adoption and higher quality innovation.

Marketing technology tools such as CRM, ERP, HRMS, and Intranet incorporate the innovative-corporate thinking for making these services better fit for the customer. The number of these tools is increasing as the technology advances. Digitalization of many existing products like TV broadcasting, cars and white goods support the new data generation

touch points where customer can instantly inform the service provider just by the use of the service. Mobility of customer brings in new opportunities of using information sources about the location and offered service where better relationship marketing strategies can be redirected promptly. Therefore, all channels are gaining the capability of hearing the customer voice, understanding between the lines of customer’s responses and interpretation of innovative ideas in customer’s feelings and thoughts about the brand, and customer’s advisory about services offered by the organization.

After a short clarification of innovation concept from marketing and management perspective, the main results of these researches are introduced item-by-item as described in Table-1. Items are listed reciprocally by considering the commonality between the results of two researches.

<p style="text-align: center;">Results of the First Research (Customer’s Advisory) - A Marketing Perspective -</p>	<p style="text-align: center;">Results of the Second Research (Innovation Oriented Organization) - A Management Perspective -</p>
<p>Through customer insight utilization, organizations were found able to comprehend the stages of customer lifetime and depict value out of it with retention. Organizations support co-creation of value together with brand communities and management of one-to-one relationships with customers for making use of customer’s feedback.</p>	<p>Innovation oriented organization manages a well-designed innovation cycle which starts with idea collection from different sources (such as customers, employees, partners, etc.) and finishes with analysis of customer’s feedback on innovative solution. Customers are positioned as main contributors to innovation process in innovation oriented organization.</p>

<p>Innovative corporate thinking is an item in organizational culture for making better designs of products and services tuned for customer needs and motivations. The same applies for building better customer relationships, if innovative corporate thinking is established in organizational culture and climate.</p>	<p>To promote organization-wide innovation activities, companies should design the organizational infrastructure by transforming the following components into an innovation-friendly form: vision and strategy, organization structure, key individuals, top management influence, organizational culture and climate.</p>
<p>Human resource advantages of the organization are coming from a combination of level of education and experience of all employees including managers and top management. These two factors also affect organizational culture by putting customer in the first position to serve by all aspects.</p>	<p>Innovation oriented organization facilitates innovation activities by building and performing supportive operations such as human resources management (selection and satisfaction, competency management), knowledge management (creation, acquisition and diffusion) and information systems management.</p>
<p>Better interpretation of knowledge generated within the organization through various information systems and improvement of channels in and out of organization are essential for making customer-driven innovation available for every member of that organization.</p>	<p>Organizations should be capable to manage innovation oriented interactions with its environmental units such as integration of customers into innovation cycle and collaboration with external business partners in their innovation networks.</p>

Table 1: List of results collected from previous researches

Based on common points of the results provided in Table-1, outcomes are combined to draw a complete picture for the concept of co-creation with customer. The items shown in Table-2 are produced by combining intersection points with a managerial marketing perspective.

Intersection of Results - A Managerial Marketing Perspective -
Innovation process starts with inputs from different sources. One of the most important sources is each customer of the organization. To collect inputs such as new ideas or feedbacks from customers, organization should establish open communication (openness) with its customers.
Utilizing the information technologies is an important attribute for an innovation oriented organization to communicate with each customer directly and relevantly.
Employees can be considered as the fingers of the organization to touch to customers. Thanks to its innovative employees, the organization itself should be the brain interpreting the needs of customers into the solution. Organizations shall employ talented human resources equipped with customer centric mindset and innovation oriented culture.
Knowledge management enables organization to understand deeply about their customers' concerns and expectations. In this way, it can extract their real needs and motivations with the brand and communicate with them much better.
Organizations require business partners with different competences and capabilities to meet their customer's needs. Building innovation oriented relations with the correct business partners is a key attribute of innovative organizations.

Table 2: Combined outcomes of previous researches

Discussion of Results from Combined Analysis

Customers are affected daily by thousands of messages and their attitudes are reshaped in accordance to many sublime impulses. Whereas every market-oriented organization is able to collect data about dynamics of customer behaviour, just by the collection of similar information from the markets, a detailed analysis of fundamental strategic capabilities of the firm leaves lesser space to manoeuvre for differentiation.

As a matter of fact, it is getting more critical to derive insights from the responses of customers by placing them right in the core. Firms are adapting themselves to better listening and sensing the future expectations, by relying on customer's advisory referred through all active channels. In parallel with this challenge, the technological renaissance empowering consumer in communication and decision-making also opens a new window for innovation and evaluation of products and services.

A drive of customer-centrism and innovation-orientation movement leads firms to set priorities to build appropriate organizational and technological advancements for engagement with customers. However, these developments have been brought by a managerial strategy of taking customer complaints into account rather than orientation of a strategy of all-round satisfaction of customer. So, their outcomes are generally results of a top-down managerial design directed to customers, with the aim of informing them about organizational issues, products and services of the firm, and listening to some of the complaints. But, today, market dynamics require rather a bottom-up approach:

- listening to expectations and perceptions of customers from a new perspective to reshape and reformulate business innovation strategies
- (and even more) using their unconditionally given feedbacks to innovate new products and services

For the last decades, marketing technology is getting more integrated into enterprise resource planning (ERP) and management through business intelligence (BI) tools and covers also customer relationship management (CRM) solutions, the use of the Internet on both internal and external information sharing. Understanding customer's responses, feedbacks and treating them as valuable resources for innovation is not only a process of data collection but putting more emphasis on digging out intelligent outcomes from them. This process starts off with distributed and closely-connected collection of no specific but all general details from customer without any interference. Then it flows to conversion of vast amounts of directly customer fed data into meaningful insights.

Final stage of the flow is making use of such insights useful for improvement and discovery from the right resource, customer, who is in fact the co-creator of value. Therefore, the

combination of both studies implies that items listed below can be considered as prerequisites for better achievement of transformation into an innovation oriented organization by putting the customer at the center:

1. Customer involvement into product and service innovation process by listening customers in detail, reengineering the customer responses, letting customers talk to the firm directly

Customer involvement is mostly affected by previous experience with the offerings of the organization, interest in the brand, taking precaution against the possibility of cognitive dissonance and social interactivity. As data about offerings are increasing in volume on many channels, customers are getting more enthusiastic about the brand and gaining more expertise about comparing competitive offerings through detailed specifications presented over the Internet. From this perspective, starting with this new type of customer at the center of the activities an organization is about to take to market, is a compromise of innovative products and services with demand. In relation with the results we have reached, Prahalad and Ramaswamy (2000) suggest that companies have to recognize that customer is becoming a partner in creating value, and need to learn how to harness customer competences. As underlined by Vargo (2008) once again, “...involvement of the customer in coproduction of the offering is an option, but there is no other way to adequately understand value, except through customer participation.” Therefore, openness and capability to listen to customer is essential to co-create the value in the exchange, supported with an innovative managerial mindset that sets up required technology and seeds the organizational culture in that way.

Customers are significant resources for innovation and attentions paid to the dissatisfaction, solvents and super-standard demands that contain innovation information in user information would aid enterprises to find potential innovation opportunities in time (Yang Xue et al. 2007). Additionally, this issue was recently discussed by Oliveira and von Hippel (2011) service innovation improvements focusing on finance industry where their findings claim the importance of customers in the design and development of new services. From this perspective, service economies are more desperate to take customer’s advisory for making innovative products and services as well as innovation drive in the managerial mindset.

2. Effectively managing the innovation cycle to conquer the real wisdom that ignites organization-wide innovation

Innovation depends on having a supportive organizational context in which creative ideas can emerge and be effectively deployed (Tidd et al. 2001). Building and maintaining such organizational conditions are critical part of innovation management and involve working with structures, new organization arrangements and integrated communication.

Building up an understanding of changing marketplace requires various forms of communication and interaction, from monitoring through to customer panels and surveys. There are different ways for involving customers in the innovation processes. Companies tap tacit knowledge from their customers by employing some methods during the innovation process. First of all, the data collected is analyzed in order to understand the patterns of owned customer behaviour. Secondly, customers are taken into the innovation process by being an active part of innovation team and participating in the innovation cycle. These “advance” customers (Tidd et al. 2001), have first-hand knowledge when it comes to using a product or service and have their own ideas about how to develop or create innovations as well.

According to Thamhain (2005), a large number of successful commercialization in new product concepts provide clear evidence that these challenges can be met with the right organizational ambience. Innovation cycle represents a dynamic and continuous form of processes from idea generation to market appraisal. Based on our combined results we clearly underline that customer plays critically important role in this cycle.

On top of that, organizational capabilities are also defining the competitive advantages. These are dependent to human resources, innovation culture, technological readiness and management know-how. Resource-advantage theory (Hunt 1997) has already explained some of these dependencies. Aaker (1998) has previously defined requirements, models and methods of strategic management for the market. Our outcome from the combined results identified that effective management of innovation cycle is a matter of cultivating these resources and harmonization of their processes with a customer centric mindset.

3. Increasing competencies in the organization and derivation of wisdom from knowledge coming out in every stage of innovation cycle

Innovation initiatives tend to depend heavily on employees' knowledge, expertise, and commitment as key inputs in the value creation process. According to Scarbrough (2003), human resource management function can influence and modify the attitudes, capacities, and behaviours of employees to achieve organizational goals and it plays a crucial role in nurturing necessary conditions for catalyzing and channelling individuals towards the development of innovation activities. According to Subramaniam and Youndt (2005), an organization's innovativeness is closely tied to its ability to utilize own knowledge resources.

Organizations that effectively manage and leverage knowledge and expertise embedded in individual minds will be able to create more value and achieve superior competitive advantage (Scarbrough 2003). Innovation oriented organization needs to focus on implementing the appropriate knowledge management initiatives in order to trigger knowledge management outputs that influence innovation processes.

4. Utilizing information management system to increase organizational innovativeness

Tidd et al. (2001) state that knowledge and information flows are the key determinants of successful innovation and new product development processes. Therefore, information technologies plays a critical role in product development, as its allowance ranges from the transaction, storing, and processing of explicit knowledge to the facilitation of people networks, coordinated interfaces, and collaboration for flowing of tacit knowledge (Van Den Brink 2003).

Information technologies can help with collaboration, knowledge sharing, competitive intelligence, and in many other ways to help people generate ideas that are both creative and potentially valuable (Nambisan 2003).

Information technologies also help innovative organizations form innovation networks with their partners, suppliers and customers and thus engage in collaborative innovation-related activities at the innovation process.

5. Collaboration with partners to build the innovation value chain

In the era of open innovation, according to Chesbrough (2003), organizations increasingly rely on external sources of innovation by emphasizing the ideas, resources and individuals flowing in and out of organizations, searching for and using a wider range of external ideas, knowledge and resources, networks.

Collaboration networks consist of different actors with the aim of accessing the knowledge: suppliers, competitors, universities and other knowledge-based organizations (OECD 2009). Network cooperation or using a wide range of external actors and sources had a positive impact on innovation performance of firms (Brioschi et al. 2002). Biemans (1990) suggests that cooperation, coordination, and communication reduce the level of chaos in an innovations process, and, thus, increases the probability of developing successful innovations. Therefore, innovation oriented organization needs to form collaborative networks and partnerships for successful innovations.

This collaboration is not only valuable for the customer side but also for the supply chain as a whole. The network of organizations forming supply chain from end to end is cascaded by the functions each member is executing on a daily basis. The value out of this supply chain is in the elimination of redundancies throughout the chain. These functional and operational redundancies bear costs for customer and for overall effectiveness of innovation. Following these operational advancements, the value chain extends its power with: trust with commitment of integration, the synchronization of functional processes of its members, unified decision-making for the chain wide operations, and ultimate focus to customer in every process. Implementation of the paradigm of open innovation over the value chain is a key competitive advantage against rival value chains.

Conclusion

As a matter of fact, innovation is the key to enable new ways of thinking, producing and presenting of value to customers. As, Albert Einstein puts it, “Without changing our patterns of thought, we will not be able to solve the problems we created with our current patterns of thought”, thinking-out-of-box and innovativeness are critical capabilities for any firm acting in the global markets. So, the most affirmative solution to competition challenges comes from the idea of innovation.

Integrating customers into the innovation process lowers the barriers to adopting innovations. Prahalad and Ramaswamy (2000) suggest that companies have to recognize that the customer is becoming a partner in creating value, and need to learn how to harness customer competences. According to McCosh et al. (1998), the company must keep close to its customers, partly to respond to their expressed needs, but mainly so that it can work out what they want in the future. Matthing et al. (2004) suggest that the value of customer involvement in new service development resides in the opportunity to facilitate proactive learning about the customer, and to understand and anticipate latent customer needs. Therefore, engagement with customer for facilitation of innovation by developing collaborative knowledge about products and services gains importance. This is also a significant marketing competence of successful companies those can be characterized as innovation oriented organization.

The study aims to contribute to the literature in the way of providing insights into the engagement of customers within innovation process and involvement of customers into innovation oriented organization. For this purpose, the results of two different researches from marketing science and management are gathered to investigate the common points about the effectiveness in co-creation of value with customer. The main result is that involvement of customer provides critical contributions for improving offerings of organizations from idea generation to design of new products and services delivered to the market. Findings can be collected under five main topics which are addressing important aspects of co-creation with customers in an innovation oriented organization: customer involvement into innovation process from idea generation to feedback collection, information technologies as open communication channels to customers, human resources based on customer centric and

innovation oriented culture, knowledge management to enrich the source of innovation and collaboration networks with business partners to build an effective innovation value chain.

Derivations of combined results contemplate that innovation is not an easy set of concepts and processes for any organization to fertilize in its culture, establish through customer outlook, construct technology and build managerial capabilities. Our perceptions about the changes in markets and customers are aligned with these requirements stated above. Organizations are more likely to survive if they adapt soon as possible to dynamism in customer behaviour and markets through making innovation culture grow within its talent base, putting customer in the heart of all functions, enabling proper technologies enterprise-wide, and managing with innovative-thinking.

This paper discusses a combined work of two separate studies; it combines the results of two different researches and introduces a set of unified and combined outcomes. These studies are both conducted in Turkey and their quantitative analyses are both dependent on different but similar target group responses of middle managers from companies in the Information and Communications Technology (ICT) industry in Turkey. Although the empirical findings are obtained from similar target groups for both researches and both of the studies obtained high reliability in regards to analysis of the results collected from the surveys, these consolidated outcomes shall be tested and verified through a questionnaire which needs to be employed across different industries and countries in order to obtain a wider validity of the combined outcomes. Based on this point, the outcomes and explanations contained in this paper are limited to this context and subject to be researched within various other contexts in the further studies for customer driven innovation management.

Additionally, the combination of results brought up a new perspective based on previous analyses by which a new set of hypotheses will be available for researchers to further investigate with new researches constructed on these fundamentals. Therefore, more detailed discussion of the combined results of both studies will also be carried upon these prospective works as well as more complex unified tests and understanding their potential outcomes in correspondence.

Bibliography

Aaker, David (1998). *Strategic Market Management*, New York: USA, Wiley and Sons.

Bennett, R., and Gabriel, H.I. (1999), “Organizational factors and knowledge management within large marketing departments: an empirical study”, *Journal of Knowledge Management*, Vol. 3 No. 3, pp. 212-25.

Biemans, W. G. (1990), “The managerial implications of networking”, *European Management Journal*, Vol. 8 No. 4, pp. 529-40.

Brioschi, F., Brioschi, M. S., and Cainelli, G. (2002), “From the industrial district to the district group: an insight into the evolution of local capitalism in Italy”, *Regional Studies*, 36, 1037–1052.

Campbell, A.J., (2003), “Creating customer knowledge competence: managing customer relationship management programs strategically”, *Industrial Marketing Management*, Vol. 32 No. 5, pp. 375-83.

Chase, R.L. (1997), “The knowledge-based organization: an international survey”, *Journal of Knowledge Management*, Vol. 1 No. 1, pp. 38-49.

D’Aveni, R. A. (1994), *Hyper-competition - Managing the Dynamics of Strategic Maneuvering*, The Free Press, New York, NY.

Dickson, K. E. and Hadjimanolis, A., (1998), “Innovation and networking amongst small manufacturing firms in Cyprus”, *International Journal of Entrepreneurial Behavior and Research*, Vol. 4 No. 1, pp. 5-17.

Güngör, M.Özgür, (2009), “The Use of Marketing Technology in Synthesizing Strategic Imperatives from Customer’s Advisory”, *PhD Thesis*, Yeditepe University, Istanbul, Turkey

Güngör, M.Özgür and F.Zeynep Bilgin, (2010), “Openness and Capability of Organizations in Capturing and Making Use of Customer’s Advisory”, *Proceedings of 9th International Conference Marketing Trends*, Universita Ca’ Foscari, Venezia, Italy

Hunt, Shelby D. (1997), "Resource-advantage theory: An evolutionary theory of competitive firm behaviour?" *Journal of Economic Issues*, 31, 1, pg. 59

Kaufmann, A., and Todtling, F., (2002), "How effective is innovation support for SMEs?: An analysis of the region of Upper Austria", *Technovation*, 22, pp. 147–159.

Krause, D.E.,(2004), "Influence-based leadership as a determinant of the inclination to innovate and of innovation-related behaviours: an empirical investigation", *The Leadership Quarterly*, Vol. 15 No. 1, pp. 79-102.

Kuzucu, Burak, (2010), "A Framework for innovation management based on Axiomatic Design: Innovation Oriented Organization", *MSc. Thesis*, Istanbul Technical University, Istanbul, Turkey

Matthing, J., Sanden, B., and Edvardsson, B., (2004) "New service development: learning from and with customers", *International Journal of Service Industry Management*, Vol. 15 No. 5, pp. 479-498.

McCosh, A. M., Smart, A. U., Barrar, P., and Lloyd, A. D., (1998) "Proven methods for innovation management: an executive wish list", *Creativity and Innovation Management*, Vol. 7 No. 4, pp. 175-192.

Nambisan, S. (2003), "Information systems as a reference discipline for new product development", *MIS Quarterly*, Vol. 27 No. 1, pp. 1-18.

OECD (2009), *Top Barriers and Drivers to SME Internationalization*, Report by the OECD Working Party on SMEs and Entrepreneurship, OECD.

Oliveira, Perdo and Eric von Hippel (2011), "Users as service innovators: The case of banking services", *Research Policy*, Vol. 40, No. 6, pg.806.

Parasuraman, A, Valerie A. Zeithaml and Leonard L. Berry, (1988), "SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality", *Journal of Retailing*, Vol. 64, No.1, pp.12-40.

Parasuraman, A, Valerie A. Zeithaml and Leonard L. Berry, (1991), "Refinement and reassessment of the SERVQUAL scale", *Journal of Retailing*, Vol. 67, No. 4, pp.420-450.

- Prahalad, C. K., and Ramaswamy, V., (2000) "Co-opting customer competence", *Harvard Business Review*, Vol. 78 No. 1, pp. 79-81.
- Preez, N. D., and L. Louw, (2007), "Managing the Knowledge Supply Chain to Support Innovation", *International Conference on Competitive Manufacturing Proceedings (COMA 07)*, Feb 07, pp. 65-78.
- Scarbrough, H., (2003) "Knowledge management, HRM and the innovation process", *International Journal of Manpower*, 24, pp. 501-516.
- Starbuck, W., (1992), "Learning by knowledge-intensive firms", *Journal of Management Studies*, Vol. 29 No. 6, pp. 713-740.
- Subramaniam, M., and Youndt, M. A., (2005) "The influence of intellectual capital on the types of innovative capabilities", *Academy of Management Journal*, 48, 450-463.
- Thamhain, H. J., (2005), *Management of Technology: Managing Effectively in Technology-Intensive Organizations*, New Jersey, USA.
- Tidd, J., Bessant, J., and Pavitt, K., (2001), *Managing Innovation: Integrating Technological, Market and Organizational Change*, John Wiley & Sons, Chichester.
- Tomala, F., and Senechal, O., (2004) "Innovation management: a synthesis of academic and industrial points of view", *International Journal of Project Management*, Vol. 22, pp. 281-287.
- Van Den Brink, P., (2003) "Social, organizational and technological conditions that enable knowledge sharing", *PhD. Thesis*, Technische Universiteit Delft, Amsterdam.
- Vargo, Stephen L., (2008), "Customer Integration and Value Creation: Paradigmatic Traps and Perspectives", *Journal of Service Research*, Vol. 11 No. 2, pp. 211-215.
- Yang, X., Lu, S., Zhang, Y., Peng, H., and Hou, S. (2007), "Factors acting on the distribution region of Carlemanniaceae: Rainfall, temperature and the plants' biological characteristics", *Chinese Science Bulletin*, Vol. 52 No. 2, pp. 244-250.